

MEMORANDUM FOR THE RECORD

SUBJECT: NRO Agreement

1. On 26 March 1963 the Deputy Comptroller met with Mr. J. S. Hoover, Deputy Assistant Secretary (Budget), Office of Assistant Secretary (Comptroller), Department of Defense, to review with him his interpretation of the content of the "Agreement Between the Secretary of Defense and the Director of Central Intelligence on Management of the National Reconnaissance Program" signed by Mr. Gilpatric and Mr. McCone 13 March 1963. A brief summary of Mr. Hoover's interpretations and/or convictions are as follows:

The DNRO is responsible for the entire DNRP and receives his direction from the NRPG consisting of Mr. McNamara and Mr. McCone. Being responsible for the DNRP, the DNRO is responsible for the programing, the operations, and the financing of the entire NRO.

It therefore follows that the entire appropriation for the NRO will be made to DOD-NRO. Also, conversely no appropriation should be made to CIA for NRO activities. Instead NRO activities accomplished through CIA should be financed by reimbursements or advances to CIA from DOD-NRO funds.

The entire budget for NRO will be presented by DOD-NRO to the Congress. Mr. Hoover points out that this does not result in any security difficulties since, due to its highly classified nature, the Program will be presented to a limited number of persons in both the House and the Senate and in each instance these will be the same persons who are on the House and Senate CIA Special Subcommittees. Last year, the Program

NRO review(s) completed.

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was submitted in the Senate to only Senator Russell and Senator Saltonstall and in the House to only Congressmen Ford, Mahon and Sheppard. No Staff Members of either the House or the Senate were permitted to attend these portions of the Hearings. Mr. Hoover points out that this will be the manner in which the appropriation will be handled for Fiscal Year 1964 and that the security is even more stringent than with respect to the Agency hearings since fewer of the same congressmen and senators are allowed to participate.

Paragraph III. K. of the Agreement states: "CIA will include in its budget presentation to the Bureau of the Budget and Congressional Committees the funds for those NRP tasks which are assigned to CIA and which are to be financed from NRO resources." It is the interpretation of Mr. Hoover, with respect to this paragraph, that the Agency will include in its budget, as anticipated reimbursements or advances, amounts required for NRP tasks to be assigned by NRO to CIA. In other words, the funds required for these tasks will not be included by CIA in their regular funds or as a part of their NOA.

2. Mr. Hoover stated that he was aware of the meeting to be held between Mr. McCone and Mr. Gilpatric to discuss the method of funding the NRO Program. He stated that Mr. Gilpatric had requested him to prepare a brief paper on the subject for Mr. Gilpatric to use in his conversation with Mr. McCone. A copy of this paper was given to the Deputy Comptroller in confidence and is attached with the thought that it might be of benefit to Mr. McCone to read this document before his meeting on the subject with Mr. Gilpatric. It is the opinion of the undersigned that the paper supports the above described interpretations and convictions of Mr. Hoover with respect to the NRO Agreement.

3. Mr. Hoover and the Deputy Comptroller also discussed briefly the situation with respect to funding the Fiscal Year 1963 NRO activities of CIA. He stated that he was well aware that we had received in our appropriation for NRO for the Fiscal Year 1963 but that if we were going to handle all NRO activities of CIA for Fiscal

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Year 1964 by reimbursement or advances that he believed it would be desirable to take steps to revise the appropriation to CIA for Fiscal Year 1963 and finance CIA by a reimbursement or advance of []

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[] The undersigned pointed out that this seemed to necessitate obtaining a revised letter from Mr. Cannon and that this would be a difficult thing to do. Mr. Hoover indicated that he understood the problem of obtaining such a letter from Mr. Cannon but that he thought it might be within the Bureau of the Budget's authority to revise the original appropriation. The undersigned indicated that he did not believe the Bureau of the Budget had this authority. Mr. Hoover stated that if the Bureau of the Budget were to advise him (which they have not done so far) that there is no authority under which they can make such revision and that therefore the funds must be transferred in the Fiscal Year 1963 to the Agency in the same manner as other regular funds of the Agency he would act accordingly. It was agreed that this matter would be further discussed with the Bureau of the Budget but that he preferred to delay such discussion until the final decision has been made with respect to the NRO funding for Fiscal Year 1964.

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Deputy Comptroller

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Attachment

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Distribution:

- orig. - DCI
- 1 - Exec. Dir.
- ✓ 1 - DD/R
- 1 - Comptroller
- 1 - C/Budget Div.

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NATIONAL RECONNAISSANCE OFFICE
PROGRAM FUNDING

1. The National Reconnaissance Office programs will be financed from appropriations for the military functions of the Department of Defense.
2. The NRO programs will be implemented based upon individual projects approved by the DNRO and the NRPG through the issuance by the DNRO of program directives to program directors; i.e. Program Director, Program Baker in the instance of projects to be accomplished through the CIA.
3. Based upon the program directive, the Deputy Director (Research) of CIA will prepare a definitized program document including the estimate of funds required therefor. The Comptroller of CIA will prepare a Standard Form No. 1080 "Voucher for Transfers Between Appropriations and/or Funds" in the amount of the estimated funds required as shown on the definitized program document and will cross reference via a code identifier.
4. The definitized program document and the Standard Form No. 1080 voucher will separately be transmitted to the NRO. The NRO will arrange for the accomplishment of the Standard Form No. 1080 voucher and thereby accomplish the advance to the CIA of the precise amount estimated to be required for the specific individual project or task as previously approved by the Director NRO.
5. Funds advanced to the CIA for each specific project or task ^{line items} will be available only for the specific purpose for which advanced and any adjustments between projects or tasks will require the specific approval of the NRO. Flexibility within each project and task is authorized without reference to the NRO, provided that the total advance for the project or task is not exceeded.
6. The CIA will report on a periodic basis, not less than monthly, the fiscal status of each project or task in relationship to the amount advanced to the CIA therefor.
7. The foregoing arrangements will be effective beginning with the NRO program for FY 1963 and subsequent fiscal years.

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National Reconnaissance OfficeProgram Funding

1. Definitions:

Program - Refers in the broadest sense to the National Reconnaissance Program.

Projects - Refers to major elements within the NRP, such as OXCART, CORONA, Photographic Processing, etc. The word "tasks" as used in the basic NRO agreement in paragraph III.K. is synonymous with the term "projects".

2. The National Reconnaissance Program will be financed from appropriations for the military functions of the Department of Defense.
3. The NRP will be implemented based upon individual projects approved by the DNRO and the NRPD through the issuance by the DNRO of program directives to program directors; i.e. Program Director, Program Baker in the instance of projects to be accomplished through the CIA.
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6. In the case that funding requirements for a project may change during the course of the fiscal year, the Program Director in CIA will submit a revised definitized program document to indicate revised dollar estimates for decision by DNRO. The NRO will arrange for the required reprogramming of funds and execute a revised advance of funds as appropriate.
7. Funds advanced to the CIA for each specific project will be available only for the specific purpose for which advanced and any adjustments between

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projects will require the specific approval of the DNRO. Flexibility within each project is authorized without reference to the NRO, provided that the total advance for the project is not exceeded.

8. The CIA will report on a periodic basis, not less than monthly, the fiscal status of each project in relationship to the amount advanced to the CIA therefor.
9. The foregoing arrangements will be effective beginning with the NRO program for FY 1964.

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National Reconnaissance Office

Program Funding

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Projects - Refers to major elements within the NRP, such as OXCART, CORONA, Photographic Processing, etc.

Tasks - Refers to services such as technical management and contracting which are rendered by organizations contributing to the NRP but not necessarily funded by NRO resources. Tasks performed by OSA in CIA are examples of services rendered without a charge to NRO funds.

2. The National Reconnaissance Office programs Program will be financed from appropriations for the military functions of the Department of Defense.
3. The NRO programs NRP will be implemented based upon individual projects approved by the DNRO and the NRPG through the issuance by the DNRO of program directives to program directors; i.e. Program Director, Program Baker in the instance of projects to be accomplished through the CIA.
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7. Funds advanced to the CIA for each specific project or task will be available only for the specific purpose for which advanced and any adjustments between projects or tasks will require the specific approval of the NRO. Flexibility within each project and task is authorized without reference to the NRO, provided that the total advance for the project or task is not exceeded.
8. The CIA will report on a periodic basis, not less than monthly, the fiscal status of each project or task in relationship to the amount advanced to the CIA therefor.
9. The foregoing arrangements will be effective beginning with the NRO program for FY 1963 and subsequent fiscal years FY 1964.